CIC MINERAL INTERESTS CORPORATION

1990 ANNUAL REPORT

91-04168/

CIC MINERAL INTERESTS CORPORATION

ANNUAL REPORT

For the Year Ended

December 31, 1990

This Annual Report is printed on paper made in Saskatchewan.

LETTER OF TRANSMITTAL

Regina, Saskatchewan
April 12, 1991

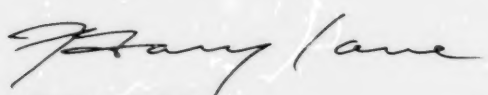
To Her Honour
The Honourable Sylvia O. Fedoruk, O.C., S.O.M.
Lieutenant Governor of the Province of Saskatchewan

Madam:

I have the honour to submit herewith the Annual Report of CIC Mineral Interests Corporation (formerly Potash Corporation of Saskatchewan) for the year ended December 31, 1990, in accordance with **The Potash Corporation of Saskatchewan Act**. The financial statements are in the form approved by the Treasury Board and have been duly certified by the Corporation's auditors.

I have the honour to be, Madam,

Your obedient servant,



J. Gary Lane, Q.C.
Minister Responsible
CIC Mineral Interests Corporation

CIC MINERAL INTERESTS CORPORATION

BOARD OF DIRECTORS

Honourable J. Gary Lane, Q.C.
Minister Responsible and Vice–Chairman

W. B. Gibson
President, Crown Management Board

R. D. Rogers
Senior Vice–President, Crown Management Board

W. D. Jones
Associate Deputy Minister, Department of Finance

OFFICERS

W. B. Gibson
President

R. D. Rogers
Vice–President

J. L. Wright
Treasurer

I. D. Disbery
Secretary

OFFICE

2400 College Avenue
Regina, Saskatchewan
S4P 1C8

CIC MINERAL INTERESTS CORPORATION

1990 SUMMARY

CIC Mineral Interests Corporation – The Holding Company

CIC Mineral Interests Corporation (formerly Potash Corporation of Saskatchewan) (the Corporation) is a Crown corporation without share capital, established by Order–in–Council on February 4, 1975 and continued under **The Potash Corporation of Saskatchewan Act, 1976**. On August 15, 1989, **The Potash Corporation of Saskatchewan Reorganization Act** (the **Reorganization Act**) was enacted which allowed the Corporation, or any of its subsidiaries, to sell all or substantially all of their assets or liabilities to a new corporation, Potash Corporation of Saskatchewan Inc. (PCS Inc.). On October 30, 1989, the Corporation and its subsidiaries entered into various agreements under authority of the **Reorganization Act**, which transferred substantially all of its assets and liabilities to PCS Inc. in exchange for 35 million voting common shares of PCS Inc.

Immediately after the sale of assets and liabilities to PCS Inc., the Corporation sold 12,948,300 of its common shares in PCS Inc. The Corporation also placed 11,100,000 common shares in trust to fulfill the exchangeability feature of the Potash Ownership Bonds issued by the Province of Saskatchewan in 1989. The Corporation holds the remaining 10,951,700 common shares, representing a 28.3% interest, as an investment in PCS Inc.

Financial Results for 1990

The Corporation accounts for its 28.3% share investment in PCS Inc. using the equity method of accounting whereby the book value of the investment is increased by the Corporation's share of PCS Inc.'s earnings and reduced by cash dividends received. The 11,100,000 shares owned by the Corporation but held in trust are accounted for using the cost method.

PCS Inc. reported net earnings of $25.4 million in 1990 of which the Corporation recorded $7.7 million as its share for the year ended December 31, 1990. The Corporation also received $9.9 million in dividends from PCS Inc. during the year.

During the year, the Corporation repaid $225.2 million of equity advances and paid a dividend to CMB of $24.1 million. In addition, the Corporation reorganized its capital structure effective January 1, 1990 to eliminate its consolidated deficit as further described in the notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

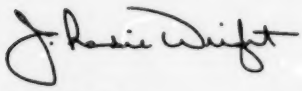
Management has prepared the financial statements of CIC Mineral Interests Corporation (the Corporation) in accordance with generally accepted accounting principles applied on a consistent basis with that of the previous year. The financial data included elsewhere in this report is consistent with the financial statements and the underlying information from which these financial statements were prepared.

Management has the primary responsibility for the integrity and objectivity of the financial statements. To fulfill this responsibility, the Corporation maintains appropriate systems of internal controls, policies and procedures to provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the Corporation.

Ernst & Young, the Corporation's external auditors, have reviewed the systems of internal control and examined the financial statements in accordance with generally accepted auditing standards to enable them to express their opinion on the financial statements. Their report appears on the following page.

The financial statements have been examined and approved by the Board of Directors.

On behalf of CIC Mineral Interests Corporation,



J. L. Wright
Treasurer

AUDITORS' REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the consolidated statement of financial position of CIC Mineral Interests Corporation (formerly Potash Corporation of Saskatchewan) as at December 31, 1990 and the consolidated statements of earnings and reinvested earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

The financial statements for the preceding year were audited by another firm of Chartered Accountants.

Ernst + Young

Regina, Saskatchewan
March 8, 1991

Chartered Accountants

CIC MINERAL INTERESTS CORPORATION

(Formerly Potash Corporation of Saskatchewan)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

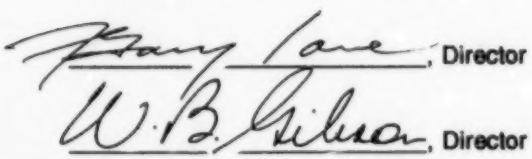
As at December 31

	1990	1989
	(thousands of dollars)	
ASSETS		
Current		
Cash and short-term investments	$ –	$ 214,778
Accounts receivable	3,972	616
	3,972	215,394
Investment in Potash Corporation of Saskatchewan Inc. (PCS Inc.)(Note 3)	391,756	399,150
	$ 395,728	$ 614,544
LIABILITIES AND PROVINCE'S EQUITY		
Current Liabilities		
Accounts payable and accrued charges	$ 13	$ 3,259
Due to Crown Management Board	9,658	–
	9,671	3,259
Province of Saskatchewan's Equity		
Equity advances (Note 4)	386,057	972,000
Reinvested earnings (deficit)	–	(360,715)
	386,057	611,285
	$ 395,728	$ 614,544

Contingency (Note 7)

(See accompanying notes)

Approved on behalf of the Board



, Director

, Director

CIC MINERAL INTERESTS CORPORATION

(Formerly Potash Corporation of Saskatchewan)

CONSOLIDATED STATEMENT OF EARNINGS AND REINVESTED EARNINGS

Year Ended December 31

	1990	1989
	(thousands of dollars)	
Revenue		
Share of PCS Inc. earnings (Note 3)	$ 7,664	$ 2,220
Dividends from PCS Inc. (Note 3)	9,990	–
Other investment income	11,674	3,231
	29,328	5,451
Operating Expenses	20	–
Earnings before the following	29,308	5,451
Loss on issue of shares by PCS Inc. (Note 3)	5,197	–
Loss on investment in PCS Inc.	–	441,546
Earnings (loss) before discontinued operations	24,111	(436,095)
Earnings from discontinued operations	–	75,380
Net earnings (loss)	24,111	(360,715)
Reinvested earnings (deficit), beginning of year	(360,715)	106,120
Elimination of deficit pursuant to reorganization (Note 4)	360,715	–
	24,111	(254,595)
Dividend	(24,111)	(106,120)
Reinvested earnings (deficit), end of year	$ –	$ (360,715)

(See accompanying notes)

CIC MINERAL INTERESTS CORPORATION

(Formerly Potash Corporation of Saskatchewan)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31

	1990	1989
	(thousands of dollars)	
Operating Activities		
Earnings (loss) before discontinued operations	$ 24,111	$ (436,095)
Dividends received from PCS Inc. on equity basis	9,857	–
Add (deduct) non–cash items		
Share of PCS Inc. earnings	(7,664)	(2,220)
Loss on issue of shares by PCS Inc.	5,197	–
Loss on investment in PCS Inc.	–	441,546
	31,501	3,231
Cash from discontinued operations	–	91,980
Net change in non–cash working capital balances relating to operations	3,060	2,643
Cash provided by operations	34,561	97,854
Financing Activities		
Long–term debt repayments	–	(3,656)
Equity advance repayment	(225,228)	(128,000)
Dividend	(24,111)	(106,120)
Cash used in financing activities	(249,339)	(237,776)
Investing Activities		
Proceeds on disposal of fixed assets	–	2,265
Proceeds on sale of assets to PCS Inc.	–	1,135,577
Investment in PCS Inc.	–	(1,047,380)
Additions to fixed assets	–	(11,080)
Additions to deferred charges	–	(6,539)
Proceeds received on sale of investment in PCS Inc.	–	208,904
Cash provided by investing activities	–	281,747
Net increase (decrease) in cash	(214,778)	141,825
Cash and short–term investments, beginning of year	214,778	72,953
Cash and short–term investments, end of year	$ –	$ 214,778

(See accompanying notes)

CIC MINERAL INTERESTS CORPORATION

(Formerly Potash Corporation of Saskatchewan)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1990

1. Accounting Policies

a) Principles of Consolidation

These consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiary CIC Mining Corporation (formerly Potash Corporation of Saskatchewan Mining Limited).

b) Investment in Potash Corporation of Saskatchewan Inc.

i) Equity Method

The Corporation owns 10,951,700 voting common shares of Potash Corporation of Saskatchewan Inc. (PCS Inc.) representing a 28.3% interest. The Corporation accounts for these shares using the equity method whereby the carrying value of the Corporation's investment in PCS Inc. is adjusted for the Corporation's share of PCS Inc.'s earnings or losses and reduced by dividends from these shares.

ii) Cost Method

The Corporation also holds 11,099,763 voting common shares of PCS Inc. in trust with a trustee under conditions further described in Note 3(b). The Corporation accounts for these shares using the cost method. Dividends from these shares are recorded as income when receivable.

2. Status of the Corporation

The Corporation was established as the Potash Corporation of Saskatchewan by Order-in-Council on February 4, 1975 and continued under **The Potash Corporation of Saskatchewan Act**, proclaimed on April 1, 1976. On November 9, 1989, pursuant to **The Potash Corporation of Saskatchewan Reorganization Act** proclaimed on August 15, 1989, the Corporation sold substantially all of its assets and liabilities to PCS Inc. and the Corporation ceased active mining operations. The name of the Corporation was changed to CIC Mineral Interests Corporation on January 10, 1990.

The Corporation's accounts are included in the annual consolidated financial statements of Crown Management Board of Saskatchewan (CMB). The Corporation is a Provincial Crown corporation and therefore neither it nor its wholly owned subsidiary are subject to Federal or Provincial income tax.

3. Investment in PCS Inc.

	1990	1989
	(thousands of dollars)	
Share investment – equity method (a)	$ 191,960	$ 199,350
Share investment – cost method (b)	199,796	199,800
	$ 391,756	$ 399,150

a) The Corporation owned 10,951,700 voting common shares of PCS Inc. at December 31, 1989 representing a 31.3% interest. During 1990, PCS Inc. issued 3,669,000 voting common shares, reducing the Corporation's interest in PCS Inc. to 28.3%. The quoted market value of these shares at December 31, 1990 is $173.9 million (1989 – $168.4 million).

b) The Corporation holds 11,099,763 (1989 – 11,100,000) voting common shares of PCS Inc. in trust to fulfill the exchangeability feature of the Potash Ownership Bonds issued by the Province of Saskatchewan in 1989. Any time after December 1, 1990, and prior to the bond's maturity on December 1, 1992, the holder of each ownership bond may exchange the bond for a certain number of PCS Inc. shares. The holder of the ownership bonds has the right, subject to certain restrictions, to direct the voting of the PCS Inc. common shares for which the ownership bonds are exchangeable. Any shares remaining in trust on December 1, 1992 will be transferred by the trustee to the Corporation. Upon exchange of the bonds for shares, the Corporation's consideration for the shares will be a reduction of its equity advances from CMB. During the year, bonds with a face value of $4,300 were exchanged for 237 common shares with a book value of $4,266.

The quoted market value of these shares at December 31, 1990 is $176.2 million (1989 – $170.7 million).

4. Equity Advances

The equity advances received from Crown Management Board of Saskatchewan (CMB) are non–interest bearing and are repayable at the discretion of CMB. During the year the Corporation repaid $225.2 million of equity advances to CMB. In addition, a reorganization of the Corporation's equity advances and consolidated deficit was completed in 1990. The reorganization resulted in the reduction of CMB's equity advances in the amount of $360.7 million with an identical amount applied to eliminate the consolidated deficit at December 31, 1989.

5. Related Parties

Included in these consolidated financial statements are expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown–controlled departments, agencies and corporations with which the Corporation is related. Account balances resulting from these transactions are included in the Consolidated Statement of Financial Position and are settled on normal trade terms.

Other amounts due to or from related parties and the terms of settlement are described separately in the consolidated financial statements and notes thereto.

6. Comparative Figures

Certain of the 1989 comparative figures have been reclassified to conform with the current year's presentation.

7. Contingency

The Corporation has entered into an agreement whereby it has guaranteed the lease payments on certain equipment leased by PCS Inc. The present value of capital lease payments is $89 million (1989 – $95 million). However, pursuant to the agreement, PCS Inc. has assumed the lease obligations and indemnified the Corporation from further liability.

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